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MEMORANDUM FOR THE RECORD

31 October 1951

SUBJECT: Use of Vouchered and Unvouchered Funds

OGC Has Reviewed

1. There is considerable uncertainty among Agency officials as to the employment of vouchered and unvouchered funds in the procurement of supplies and services. To shed some light on this subject the following comments are made.

2. The policy of the Agency is set out in CIA Regulation [ ] that vouchered funds shall be employed whenever practicable. This is desirable in order to follow general government practices so far as possible and to prevent the misuse of Agency funds. Since the issuance of Regulation [ ] the great bulk of procurement has been on vouchered funds and no security breaches as a result of this are known. A site audit of vouchered contracts is performed at Quarters Eye by several GAO auditors who have been cleared and accepted by CIA. Classified specifications are not made available to the auditors. All original documents remain in Quarters Eye. The trend at GAO is in favor of site audits of government agencies.

3. The present procedure at this Agency was established in a letter of August 28, 1946 from the Comptroller General to the Director stating that original documents should be retained by CIG and audited on the site. However, the Comptroller General stated in addition: "As security conditions warrant, the original documents will be forwarded to the General Accounting Office for filing". In a letter of June 29, 1951 to the Director, the Comptroller General stated that the site audit procedure for contracts would be extended to cover the audit of dispersing officers accounts current. These two letters bear the number B-59970.

4. The only case known where there has been any dispute with GAO, occurred some weeks ago when GAO asked that [ ] be forwarded to GAO. This request was denied by the Agency on the basis of the site audit agreement and nothing further has been heard from GAO on the matter. However, it does raise the question as to what demands of this nature GAO can enforce. It is provided in 41 USCA, Section 20, that "All contracts to be made, by virtue of any law, and requiring the advance of money, or in any manner connected with the settlement of public accounts, shall be deposited promptly in the General Accounting Office." In 31 USCA, Section 71, it is stated that "All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as a debtor or creditor, shall be settled and adjusted in the General Accounting Office."

5. [ ]

However, GAO has an original copy of each vouchered contract in its room in Quarters Eye and might remove these without the consent of the Agency.

6. A further element has recently been introduced in connection with vouchered contracts. Bill (S. 921, H.R. 2573) has just been passed by Congress providing in effect that the Comptroller General may examine the records of contractors and sub-contractors when the contract was negotiated under the Armed Services Procurement Act. Hence, there may be field audits of vouchered contracts by GAO.

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7. On the basis of the above, it appears that a relatively few highly sensitive items should be purchased on unvouchered funds. Other procurement should be made on vouchered funds. Further definition will be required as experience and additional study indicate.

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OGC/ROH:iam

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